18-MONTH FORECAST: NO RECESSION AHEAD • HARVARD'S DREAM CLASS NOW

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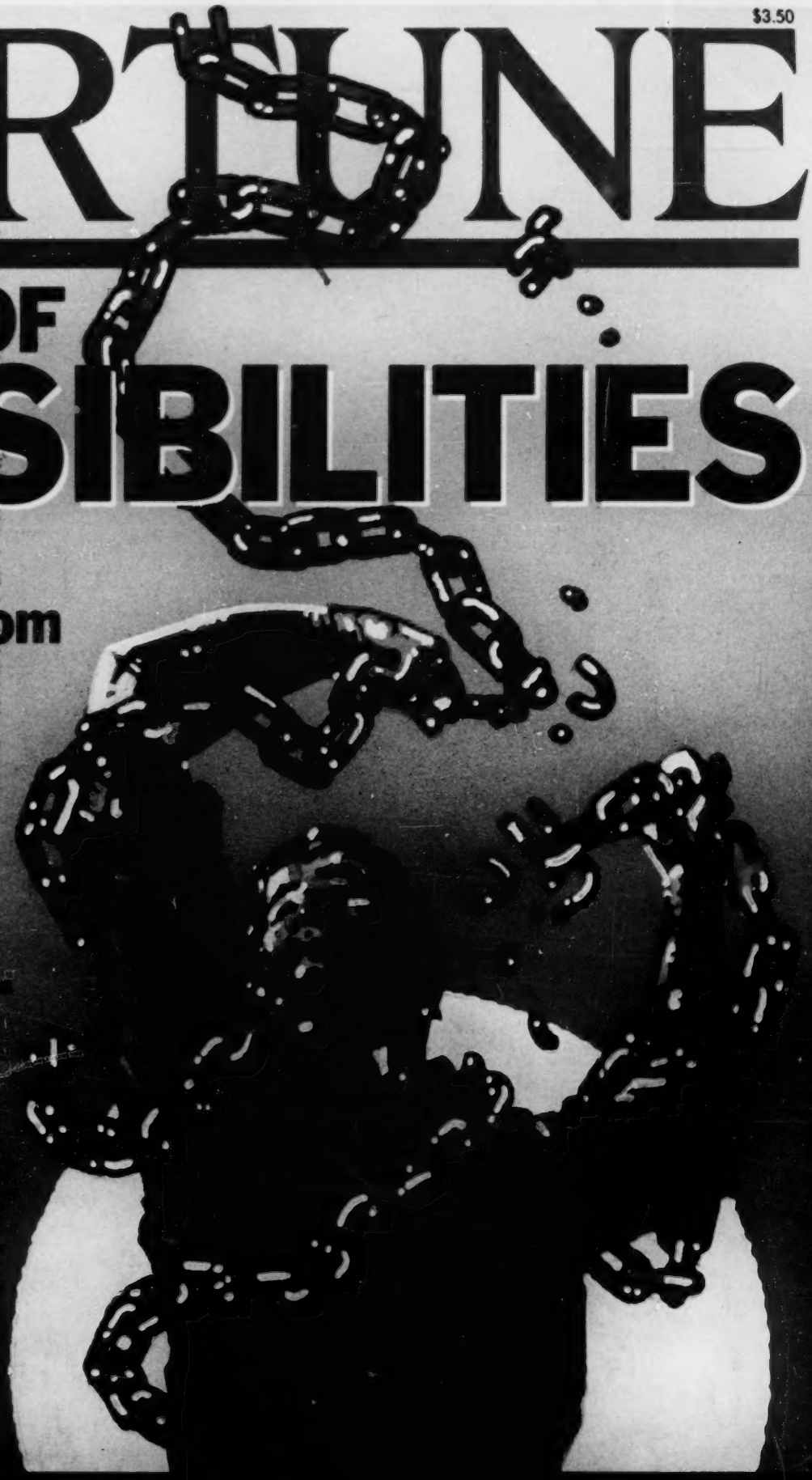
FORTUNE

THE ERA OF POSSIBILITIES

The global march of freedom is creating vast opportunities. Seizing them will require new ways of doing business.



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JANUARY 15, 1990

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"Gorbachev has permitted people to say that the magical incantations of Marxism-Leninism were nonsense." PAGE 75

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The market wouldn't buy his public offering, and critics claim the bootstraps entrepreneur has drained his companies. *by Erik Calonius*

ABOVE: An East German border guard, photographed by Alfred of SIPA, looks westward through a gap in the Berlin Wall.

COVER: Painting by Doug Johnson.

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"The universal homogenous state: liberal democracy combined with easy access to VCRs and stereos."

PAGE 75

"When you get it real frosty and cold, *oohhh*!"

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"One man's greed is another man's incentive."

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"You have to start with the premise that people at all levels want to make the business a success."

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"The Margaret Thatcher of Latin America."

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"I realized you could be snuffed out at any time—so seize the day."

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Managers in such companies as Du Pont and Tandem Computer are doing just that to boost their competitiveness. A few have found some common keys to success—notably that change begins at the bottom. But beware of the plexiglass CEO syndrome. *by Brian Dumaine*

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EDITOR'S DESK

SHONNA VALESKA

Stewart, Kirkland, and Nulty report there is a world to win.

THE END of the cold war gives new meaning to global warming: Everywhere governments are cozying up to free-market ideals. That means FORTUNE's beat—the world that managers inhabit—has grown by a dozen or so nations. Rather than chronicle the historical events yet again, we offer you something we trust you'll find more useful: an examination of their significance for managers. Says senior editor Richard I. Kirkland Jr., architect of the cover package beginning on page 42: "Never in the postwar age has the world business environment seemed so benign and open. We call it the Era of Possibilities."

The new era gives businesspeople more markets and competitors to worry about and little time to do so. Managers will have to survey the globe and stake new ground as swiftly as Eastern Europeans are seizing their freedom. "If you don't cut into an expanding global market, then it could cut into you," says writer Thomas A. Stewart, whose article on page 58 offers advice from stalwarts who have already pioneered business frontiers from Moscow to Manila. Former president and editor-in-chief of Atheneum Publishers, Stewart got an early view of global possibilities at a Frankfurt book fair in West Germany: "Publishers from all over the world would gather to sell books and give each other colds from exotic places."

So contagious is the global bug that industries as varied as telecommunications and tourism are buzzing about prospects. Writer Peter Nulty assembled two dozen of the best thinkers he could find around the U.S. to delineate major trends in the way the world will change. Finally, we give you Francis Fukuyama, whose controversial article "The End of History?" pronounced capitalism triumphant over centralized economies months before the fall of the Wall. He shares new thoughts on the future that should cheer and energize corporate executives.

Though rising foreign markets call for fast action on the part of U.S. managers, don't expect to see instant improvement in the nation's trade picture. Export opportunities will take time to develop, says FORTUNE's chief economist, Todd May Jr., in his 18-month forecast beginning on page 104. He and his colleagues predict very slow growth ahead—though *no* recession—and much higher inflation than most economists. Sounding the lone voice doesn't bother May: "I'd rather be right than run-of-the-mill."

May and his team are known as much for their accuracy as for their contrarian views. They have been remarkably prescient in their predictions of broad business trends, and in five out of the past eight years, they have come closer to predicting real GNP growth than the Blue Chip consensus of 50 of the nation's leading economic forecasters.

Marshall Loeb

MANAGING EDITOR

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Accountants laugh after all; getting whacked at Price Waterhouse.

program, packaged-goods marketing consultant Chris Gilmore brought out a pack of the cards and tossed out one that read "Get out of your box." Accordingly, they looked outside the beer industry for inspiration, finding it at such experienced marketers as PepsiCo and **Campbell Soup**. As a result, Coors targeted Southerners as can lovers and Easterners as lovers of bottles. Says Gilmore: "We not only borrowed some of their ideas, we borrowed some of their people."

Players can use the cards alone or in group brainstorming sessions. Price Waterhouse partner Mark Volker keeps his deck handy in the top left-hand drawer of his desk. At a recent meeting where people were butting heads over how to speed up socialization of new recruits, he played the "Combine ideas" card from memory. Before long, they agreed on some ice-breaking exercises.

The cards, which cost $12.95, are the brainchild of Roger von Oech, 41, a former IBM marketing representative who heads a creativity consulting firm in Menlo Park, California. Von Oech has used some of the imagination-nudging concepts for years in seminars and books. His 1983 *A Whack on the Side of the Head* was a best-seller and was translated into nine languages, including Japanese and Finnish. A revised edition comes out in April. **– Laurie Kretchmar**

FEWER JOBS FOR THE CLASS OF 1990

■ The 1990 college graduate faces one of the tightest job markets in almost a decade. The number of entry-level positions is expected to decline by 13.3%, the steepest drop since recession-plagued 1982 and far greater than the 0.5% decline in the number of people who will graduate. So says a report by Michigan State University's Career Development and Placement Services. Concludes assistant director Patrick Scheetz: "It's going to be a big game of musical chairs, and somebody is surely going to lose out." He blames downsizing in major companies and tougher global competition.

But the news is not all bad. Michigan State surveyed about 500 employers, including such corporations as **General Motors**, **IBM**, and **Hyatt Hotels**, and found that some industries—notably utilities and big oil—will have more openings for college graduates in 1990 than they did in 1989. (See table for a sampling of who's hiring and who isn't.)

Utilities? They expect increased business in the coming decade and need electrical engineers (starting salary, $32,107) and computer scientists ($31,389).

Some oil company recruiters worried that the 1989 oil spill off Alaska by the *Exxon Valdez* would make it tough to find the grads they need. They were wrong. Says Gerald Smith, manager of recruiting at **Mobil**: "We were amazed there were no real repercussions. Our interview schedules have been full." **Exxon** itself will be hiring more people, and a spokesman says there is no shortage of recruits. Oil companies need graduates in chemical engineering ($33,380 to start), chemistry ($25,938), and marketing ($24,100). **– Jacob Park**

"A big game of musical chairs"

WHO'S GOT MORE JOBS	
INDUSTRY	CHANGE FROM '89
Utilities	+29.4%
Petroleum	+22.1%
Publishing	+13.7%
Hotels, restaurants	+ 5.7%

. . . AND WHO's GOT FEWER	
Automakers	-18.6%
Electronics	-24.8%
Government	-20.9%
Aerospace	-20.6%

BUSINESS SCHOOLS: YOUR NAME HERE

■ Graduating MBAs aren't the only ones after big bucks. Business schools want money too, and some are ready to rename themselves after *you*—provided you can meet the asking price. You're too late to get your moniker on New York University's B-school. New York publisher and 1959 alumnus Leonard N. Stern snapped up that opportunity in 1988, paying $30 million for the honor. But there are other current listings, among them:

- The University of Michigan's School of Business Administration wants at least $40 million.
- Columbia University's School of Business is looking for $55 million to $65 million.

Sound steep? Listen to Meyer Feldberg, Columbia's business school dean: "When you name a school at Columbia after someone, you're creating immortality for an individual or a family. A very large gift is appropriate."

The tab for such immortality was particularly high through the 1980s (see table for a sampling). The country's oldest such institution, the Wharton School, was endowed in 1881 by nickel and zinc magnate Joseph Wharton. He bought posterity for a paltry $100,000, a mere $1.6 million in today's dollars. The biggest donor of them all? George F. Baker, a founder of First National Bank of New York (which evolved to become Citicorp). In 1924 he gave $5 million to Harvard's business school, which opened its doors in 1908. Adjusted for inflation, that equals $43.2 million today. Baker gets scant thanks for his generosity, however. Most people call it the Harvard business school even though the Graduate School of Business Administration,

NEW MONIKERS FOR OLD

BUSINESS SCHOOL	NAMED FOR	GIFT in millions	YEAR
New York University	Leonard N. Stern	$30	1988
Cornell University	Samuel Curtis Johnson	$20	1984
University of Minnesota	Curtis L. Carlson	$18	1986
University of California at Berkeley	Walter A. Haas	$15	1989
Brigham Young University	J. Willard and Alice S. Marriott	$15	1988
Washington University	John M. Olin	$15	1988
UCLA	John E. Anderson	$15	1987
University of Rochester	William E. Simon	$15	1986
Wichita State University	W. Frank Barton	$12	1987
Boston College	Wallace E. Carroll	$10	1989
University of Pittsburgh	Joseph M. Katz	$10	1987
Duke University	J. B. Fuqua	$10	1980

The 1980s: boom times for renaming business schools—for a price

George F. Baker Foundation is its full and proper name. Buyer beware. **– R.J.**

THE U.S. AND CHINA: BACK TO BUSINESS?

■ Think U.S. trade with China stopped when the tanks rolled into Tiananmen Square? Think again. American and other foreign executives who evacuated in the wake of last summer's violence are back, and managers from additional U.S. companies have moved into China since then. Five work for **Lockheed**, which has opened an airplane maintenance facility. A **Rockwell International** subsidiary in China has announced plans to set up an industrial automation plant that will have four Americans on the scene.

The newcomers will be joining foreign managers who beat it back to China surprisingly quickly after the events of last summer. IBM's 60 foreign staffers began to return to Beijing and Shanghai to hawk Big Blue's product six weeks after the crackdowns. **Procter & Gamble**, which manufactures Head & Shoulders shampoo in China, sent its six Americans back within a month. **Xerox**'s half-dozen U.S. managers working at the company's printing operation in Beijing left briefly, but only to Shanghai, where the company makes copiers. They returned a week later.

An expatriate manager at Xerox's Shanghai plant, which makes copiers

Despite what might seem like an all-clear, the business outlook still seems chilly for the near future, especially for companies selling consumer products, lending money, or catering to tourists. Politically, however, a thaw might be beginning; see the following story. **– Susan E. Kuhn**

ASIAN HURRAHS FOR BUSH'S CHINA MOVE

■ At home, President Bush came in for all kinds of brickbats for surreptitiously dispatching National Security Adviser Brent Scowcroft to mend fences in Beijing so soon after China's brutal crackdown on student demonstrators. "Severely misguided," pronounced Winston Lord, Reagan's ambassador to China.

In contrast, governments and investors in Asia privately lauded the initiative. Says Gary Klintworth, a China analyst at the Research School of Pacific Studies at Australian National University: "The more China is ostracized, the greater the likelihood that the hard-liners now in power will become even more hard-line."

Bush's overture has already prompted others to ease pressure on China. Japan will invite Chinese officials to visit Tokyo soon. The World Bank said it hopes to resume lending to the PRC. And France has signaled its willingness to help finance a joint venture.

Bush is keeping sanctions on sales of military equipment, but significantly, the U.S. made the first move toward normalizing relations. In response, China has toned down anti-Western rhetoric and could even allow dissident scientist Fang Lizhi, holed up in the U.S. embassy since June, to leave the country. More important issues remain unresolved. Protesters continue to be arrested and martial law remains in force in Beijing. Still, says an executive at a big U.S. electronics firm and for years a close China watcher, "China's leaders understand that Bush has gone out on a limb, that this is a quid pro quo situation, and that they have to give him something for it." **– Ford S. Worthy**

NOW HEAR THIS

■ **JOHN BRYANT,** 42, U.S. Congressman (D-Texas), on the 20% stake a Japanese corporation has bought in La Prairie, a cosmetics company controlled by Georgette Mosbacher, whose husband is Secretary of Commerce:
"It may be her company. But you've basically got the Secretary of Commerce in the position of doing business with the Japanese."

■ **CARLOS MENEM,** 59, President of Argentina, on his country's new free-market policies:
"On this flight, we are all aboard, absolutely everyone, and this plane has no parachutes. Anyone who wants to jump may jump, knowing the consequences."

■ **ALLAN JONES,** a Chicago cabdriver, on how credit cards have led to the overleveraging of consumers:
"People have the spending power, but they have no money."